



# Winter Preparedness

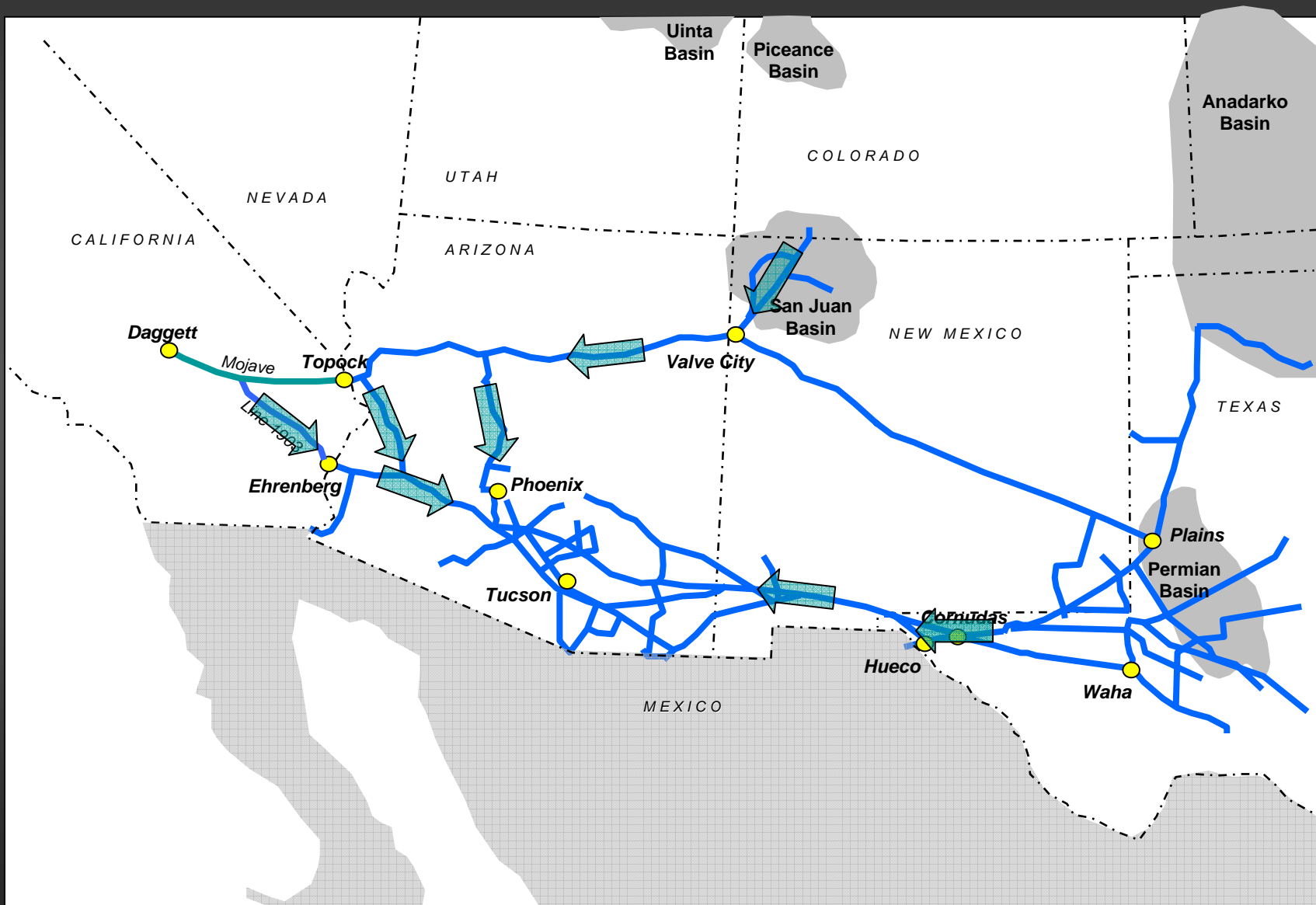
A Presentation to the Arizona Corporation Commission

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October 30, 2007

# Agenda

- System review
  - Reliability due to structure and supply diversity
  - Maintenance planning
- Safety commitment
- Emergency response
- Arizona load growth and its implications
- Long term planning

# Multiple Feeds to Arizona



# Maintenance Planning

- Maintenance
  - Coordinated with customers
  - Scheduled to avoid peak use periods and to minimize impacts on available capacity
    - Winter LDC loads
    - Summer power plant loads
- Schedules posted prior to the 20<sup>th</sup> for next month and updated as needed
- Strive for 100% accuracy in maintenance postings

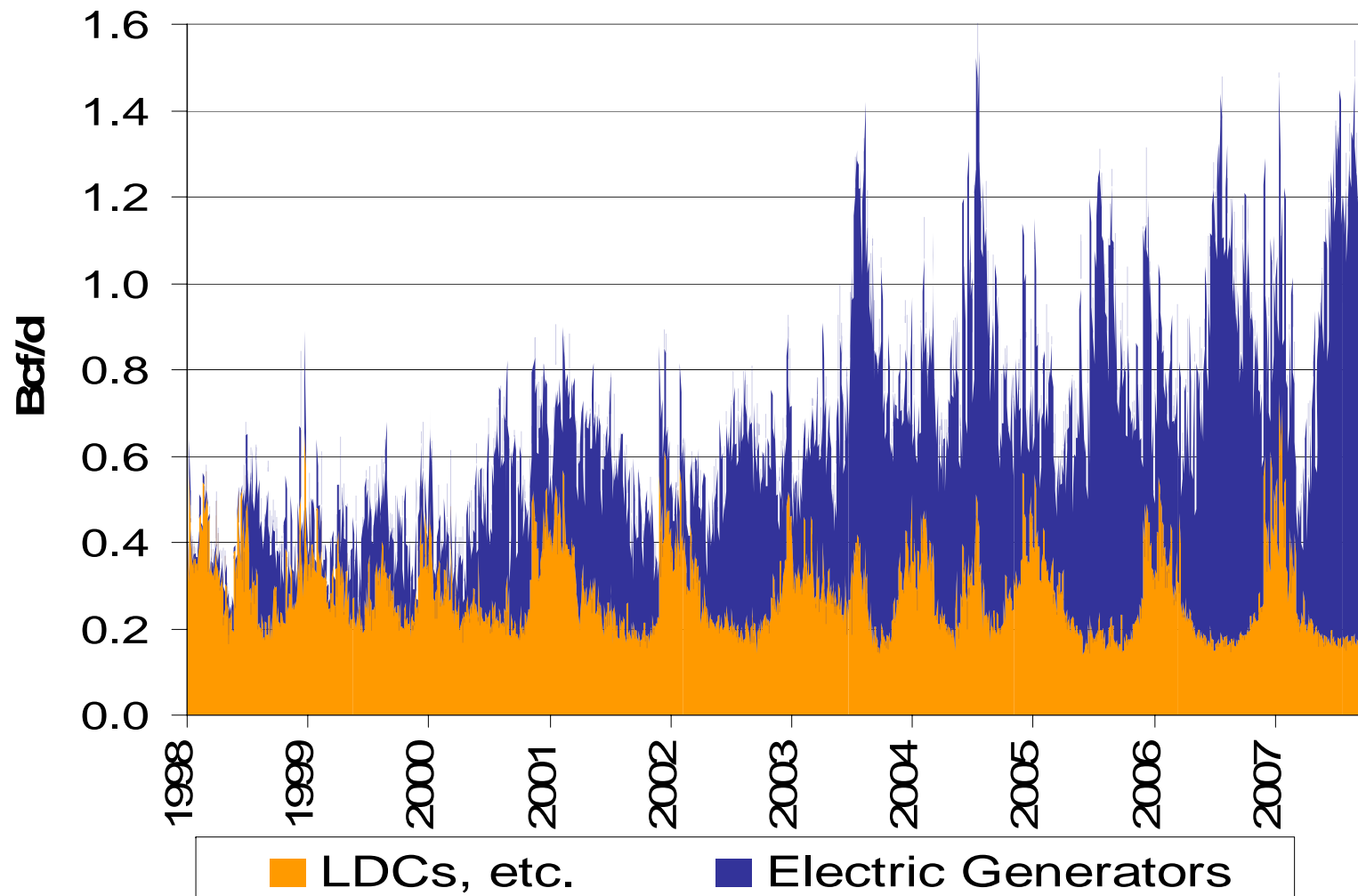
# Safety and Reliability

- Pipeline Integrity Program
  - All Lines 6" and larger piggable by 2010
  - Special Arizona PIP acceleration of \$5 million for 5 years. Started the year after the Arizona Settlement. First inspections completed by 2010
- Encroachments
  - Blue Stake calls
    - 3400+/- Albuquerque Division
    - 48,000+/- Tucson Division
  - \$5 to \$7 MM for class changes each year

# Emergency Response

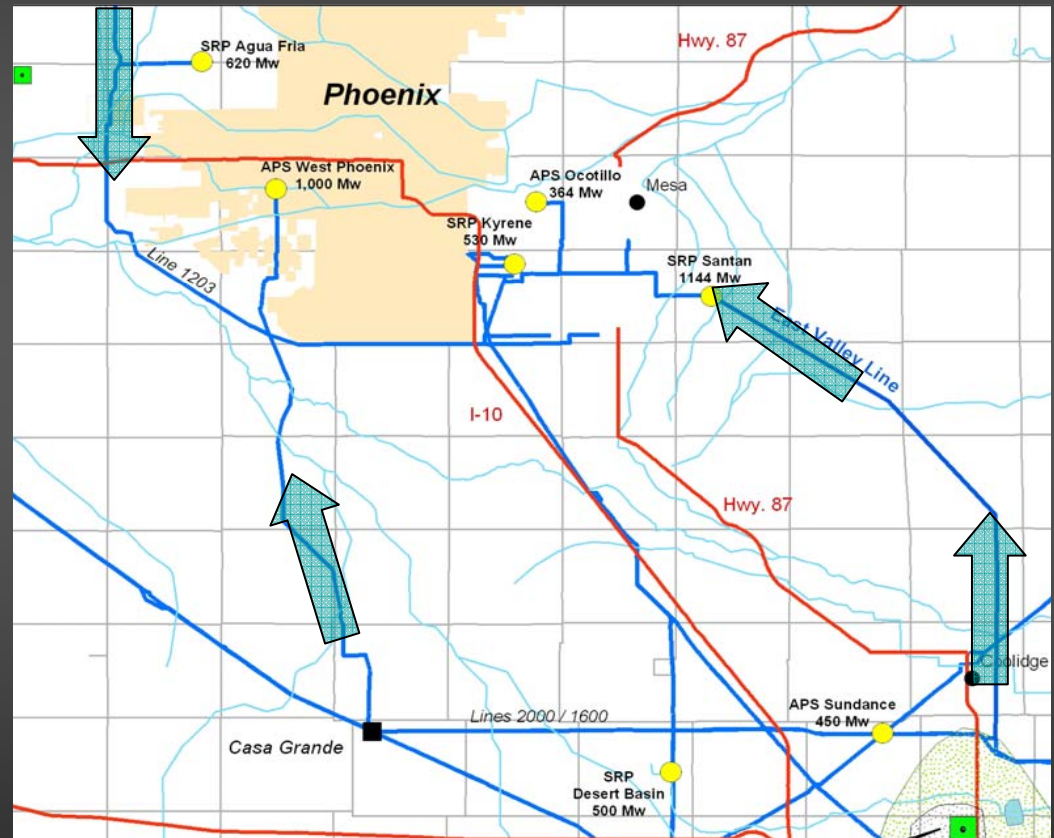
- Unplanned pipeline outages
  - Failures often due to third-party damage
  - Damage is typically very localized
  - Stocks of pre-tested pipe
  - Access to Company and contractor crews
- Unplanned compression outages
  - Typically more challenging
  - Critical parts in stock
  - Experienced mechanics

# Arizona Demand Is Growing



# Recent Service and Facility Modifications

- Tariff changes to provide hourly services
- Working with Southwest Gas to reinforce selected delivery locations before this winter
- East Valley Lateral
  - Purchased from SRP in February 2006
  - SRP / TW capacity rights
  - Picacho compressor station



# Arizona Gas Storage Update



- Service reliability with storage
- EPNG is aggressively pursuing contracts for salt dome storage project in Arizona
- Anticipate open season 1<sup>st</sup> Quarter 2008
- Anticipate first cavern in service by 2011



# Future Developments

- North Baja / Costa Azul
  - Costa Azul complete in early 2008
  - North Baja doing a reverse flow test
- El Paso/DKRW Energy developing a second LNG terminal at Puerto Libertad
  - Start-up currently projected in 2012
  - Delivery via Sonora Pipeline into EPNG's south system near Tucson Compressor Station

# Just in Time is Too Late

- Worldwide Construction Boom
  - Electric power plants
  - Natural gas pipelines
  - National transportation infrastructure
- Pipe and equipment lead times getting longer
- Contractor availability often limited
- Prices rising and volatile

# Conclusion

- Reliability
  - Supply diversity
  - Diversity of pipeline assets
  - Planned maintenance
  - Prompt response to outages
- Safety Commitment
  - Our facilities
  - Communities around us
- Need to focus on long term planning



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